

Individual Business Unit 2014 Product Launch



Navigating the New Normal

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code. For training purposes only. This plan is awaiting approval from DIFS and certification from CMS.





Focus on: REFORM



The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code. For training purposes only. This plan is awaiting approval from DIFS and certification from CMS.



Focus on: REFORM



General Reform Education



Focus on: REFORM

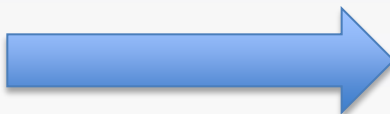


Reading between the lines: What is ACA looking to accomplish?



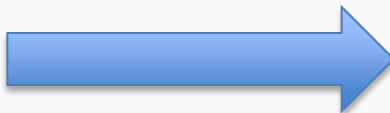
ACA Objectives

Access to qualified coverage



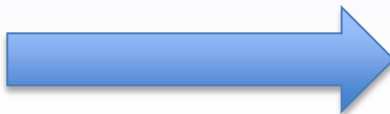
**Guaranteed issue, subsidies,
mandates & eligibility expansions**

Simplify product choices



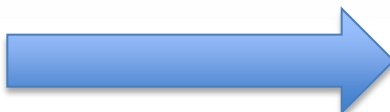
**Marketplaces & metals levels
(Small Group and Individual)**

Regulate insurers



**Community rating, standard
benefits and risk stabilizers**

Shared financial responsibility



**Taxes, fees, mandates
and metal levels**

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code.



Benefit Disruptions: AV and Metals

Focus on: REFORM



*The ACA has aimed to standardize products in the **individual** and small group markets through targeted actuarial value “metal levels” both on and off “marketplaces”*

- **Actuarial value (AV):** the percent of expenses that a standard population would expect to pay for EHBs under a given plan
 - E.g., A 70% AV plan would on average pay 70% of expenses for EHBs, with the enrollee paying 30% through a combination of copayments, deductibles, and coinsurance.
- **‘Metal levels’ are defined by actuarial targets that a qualified health plan must achieve +/-2%. (e.g., 68%-72% for silver plans)**
 - “Catastrophic” plans allowed for young adult (i.e. less than 30) and/or mandate exempt individuals due to affordability or hardship (individual market only)
 - Products cannot live above, below or between metals
 - Employer funding of HRA/HSA accounts impacts AV and will need to be defined for all CDH plans



Platinum
(88-92% AV)



Gold
(78-82% AV)



Silver
(68-72% AV)



Bronze
(58-62% AV)



Catastrophic – **individual market only**
HSA limits (young adult/mandate exempt)





Benefit Standards: EHBs

Focus on: REFORM



*The ACA ensures that all non-grandfathered **individual** and small group coverage includes 10 essential health benefits for which all cost sharing accumulates to a single out-of-pocket maximum**

1	Ambulatory patient services
2	Emergency services
3	Hospitalization
4	Maternity and newborn care
5	Mental health and substance use disorder services, including behavioral health treatment
6	Prescription drugs or SG plans)
7	Rehabilitative and habilitative services and devices
8	Laboratory services
9	Preventive and wellness services and chronic disease management
10	Pediatric services, including oral and vision care

- Essential health benefits must be equal in scope to benefits offered by a “typical employer plan”
- States were required to select a **base-benchmark plan** from among the following options

3 largest small group portal plans by enrollment	3 largest state employee benefit plans by enrollment	3 largest national Federal Employees Health Benefits Program plans by enrollment	Largest insured commercial HMO in the state
---	--	--	---

Priority HMO chosen as the MI benchmark – gives BCBSM increased flexibility to create more cost effective plans

Source: CCIIO Essential Health Benefits Bulletin

Note: CMS defines portal plan as the discrete pairing of a package of benefits with a particular cost-sharing option (not including premium rates or premium rate quotes)

*For the first plan year on or after Jan. 1, 2014, safe harbor offers additional flexibility on maximum out-of-pocket





Benefit Standards: Overview

Focus on: REFORM



Key ACA Provisions Impacting Benefits (On and Off "Marketplaces")

Benefit disruptors

Plans to meet Essential Health Benefits (EHB)

Qualified Health Plans must hit "metal levels"

Maximum deductible limit of \$2,000/\$4,000 (Can exceed to hit metals)

Plans to integrate all cost-sharing for EHBs to single OOP Max**

Maximum OOP limits: \$6,350/\$12,700**

Wellness plans based on test results must give alternate pathway to reward***

Individual

2014

2014

N/A

2014

2014

2014

Effective date for Compliance

Group

1-50

51-100

Over 100

2014

2016

2017*

2014

2016

2017*

2014

2016

2017*

2014

2014

2014

2014

2014

2014

2014

2014

2014

*If state chooses to allow large groups on the SHOP in 2017 then product provisions apply to all groups on the SHOP

**For the first plan year on or after Jan. 1, 2014, safe harbor offers additional flexibility on maximum out-of-pocket (<http://www.irs.gov/pub/irs-drop/rp-13-25.pdf>)

***Health status-factor related programs are prohibited in the Individual market beginning 2014



Rating Standards: Overview

Focus on: REFORM



Effective date for Compliance

Key ACA Provisions Impacting Rates (On and Off "Marketplaces")		Individual	Group		
			1–50	51–100	Over 100
Price disruptors	Guaranteed Issue	2014	2014	2014	2014
	Rating standards: Age (3:1), tobacco use (1.5:1), geography and family size; removes industry factor and CCF max	2014	2014	2016	2017*
	Allowance for member level rating	2014	2014	2016	2017*
	State specified rating regions	2014	2014	2016	2017*
	Risk adjustment & risk corridor payments	2014	2014	2016	N/A
	Reinsurance subsidization	2014	N/A	N/A	N/A
	Taxes and Fees	2013+	2013+	2013+	2013+

*If state chooses to allow large groups on the SHOP in 2017 then rating provisions apply to all groups on and off SHOP

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code.



Focus on: REFORM

Taxes and Fees

		When	How Much	Individual	Group		Medicare	Medicaid
					Insured	ASC		
1	Comparative Effectiveness	July 2013	\$1 - \$2 PMPY	✓	✓	✓		
2	Federal insurance premium ¹	2014	% of premium	✓	✓	Stop loss	✓	✓
3	Reinsurance Fee ^{2,3}	2014 - 2016	\$5.25 PMPM	✓	✓	✓		
4	High cost health plan ⁴	2018+	Variable		✓	✓	Group ✓	
5	Marketplace fees ⁵	2014+	3.5% of marketplace premium	✓	SG ✓			
6	Risk adjustment fee ⁶	2014+	\$0.96 PMPY	✓	SG ✓			

¹ For federally exempt tax HMOs, the premium revenue counted toward the Federal Insurance Premium Tax amount is reduced by 50%

² Reinsurance fees based on 2014 levels, then phase out completely by 2017

³ Individual market is charged a reinsurance fee but then receives net proceeds of collected fees through reinsurance payments (which will be reflected in lower premiums)

⁴ HCHP Excise Tax based on 40% of the amount beyond specified cost thresholds

⁵ HHS anticipates collecting user fees by deducting the user fee from Marketplace related program payments

⁶ Newly established fee to pay for administrative expense of running the federal risk adjustment program.

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code.



Focus on: REFORM



Taxes and Fees

Tax/Fee		Description	Calculation Method*	Remittance Responsibility
1	Comparative Effectiveness Fee	An annual fee that funds research on the effectiveness, risks and benefits of various medical treatments through the Patient-Centered Outcomes Research Institute (PCORI), a nonprofit created through ACA.	PMPY Calculation	<ul style="list-style-type: none"> Health insurance issuer for fully insured business. Plan sponsor (normally the employer) for self-insured
2	Federal Insurance Premium Tax	A yearly tax due assessed on fully insured premiums	% of fully insured premium	<ul style="list-style-type: none"> Health insurance issuer
3	Reinsurance Fee	Annual fee that will support the transitional reinsurance program with the goal of stabilizing premiums coverage for the individual market both on and off the marketplace.	PMPM Calculation	<ul style="list-style-type: none"> Health insurance issuer for fully insured business. Plan sponsor (normally the employer) for self funded.
4	High Cost Health Plan	Tax on the value of employer-sponsored health benefits that exceed certain thresholds	40% of value exceeding specified thresholds	<ul style="list-style-type: none"> Health insurance issuer for fully insured business Plan sponsor (normally the employer) for self funded.
5	Marketplace Fees	Established to ensure marketplaces can be self-sustaining by Jan 1, 2015.	3.5% premium	<ul style="list-style-type: none"> Health insurance issuer participating and offering health plans on the state or federal marketplace.
6	Risk Adjustment Fee	Establishes a risk adjustment fee to pay for administrative expense of running the federal risk adjustment program.	PMPY Calculation	<ul style="list-style-type: none"> Health insurance issuer

**As written in the current regulations and guidance; the rules do not reflect the actual amounts the customer will be billed by the Blues*

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code.



Reform Mandates

Focus on: REFORM



		Groups	
		Under 50 Full Time Equivalents	50 or more Full Time Equivalents
Mandated coverage	Individuals	No mandate <ul style="list-style-type: none">Employers not required to offer health insurance however...Any health insurance must meet EHBs and metals	Pay or play mandate – <i>Delayed one year</i> <ul style="list-style-type: none">Must offer qualified coverage of at least 60% actuarial value to 95% of full time employees (ASC and Fully insured)
	Tax penalties	<ul style="list-style-type: none">2014: <u>the greater of</u> \$95 or 1% of household income*2015: <u>the greater of</u> \$325 or 2% of household income*2016: <u>the greater of</u> \$695 or 2.5% of household income*	<ul style="list-style-type: none">Triggered when any full-time employee obtains tax credits on individual marketplace <p><i>Details on next page</i></p>

Note: Group size mandate definition is not the same as the rating definition

***For families the flat per person fee (e.g., \$95) is capped at 3 times the amount shown. No cap applies to the percentage based penalty.**

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code.

- **Anyone can purchase on a marketplace**
- **Not everyone will receive a tax credit or a subsidy**

Source: Congressional Research Service <http://www.fas.org/sgp/crs/misc/R42663.pdf>

Blue Cross Blue Shield of Michigan is a nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association.



Focus on: REFORM



To Qualify for Assistance...

An Individual:

- ☐ Must NOT be offered a QHP by an employer
- ☐ Must NOT be Medicaid or Medicare Eligible
- ☐ MUST have a household income LESS than 400% FPL for the Advance Premium Tax Credit (APTC) and LESS than 250% FPL for the Cost Sharing Subsidy
- ☐ If married, individuals MUST file jointly
- ☐ MUST apply on the Federally Facilitated Marketplace



Focus on: REFORM



Individual tax credits and cost sharing subsidies

Household Income (% of Federal Poverty Level)	Premium Cap (% of Household income paid on insurance premiums)	Cost sharing subsidies (% of OOP costs covered under 70% silver plan)
<133% FPL	2% (if the state expands Medicaid, then this income range would be eligible for Medicaid)	94% (if the state expands Medicaid, then this income range would be eligible for Medicaid)
133-150%	3-4%	94%
150%-200%	4-6.3%	87%
200%-250%	6.3-8.05%	73%
250%-300%	8.05-9.5%	No subsidy available (70%)
300%-400%	9.5%	No subsidy available (70%)

Must purchase on individual marketplace to be eligible for these subsidies & credits

The information in this document is based on preliminary review of the national health care reform legislation and is not intended to impart legal advice. The federal government continues to issue guidance on how the provisions of national health reform should be interpreted and applied. The impact of these reforms on individual situations may vary. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. As required by US Treasury Regulations, we also inform you that any tax information contained in this communication is not intended to be used and cannot be used by any taxpayer to avoid penalties under the Internal Revenue Code.



Income changes and APTC

- ❑ How does an income change get reported?
Advanced Premium Tax Credit (APTC) - eligible subscribers will report income changes to the health insurance marketplace directly.
- ❑ What are the impacts of income change on Advanced Premium Tax Credits?
 - ❑ Changes are reflected on 1st of next month following notification
 - ❑ Updated enrollment transaction sent to issuer
 - ❑ Unearned advanced premium tax credit amounts will be addressed when the subscriber files their annual federal income tax return



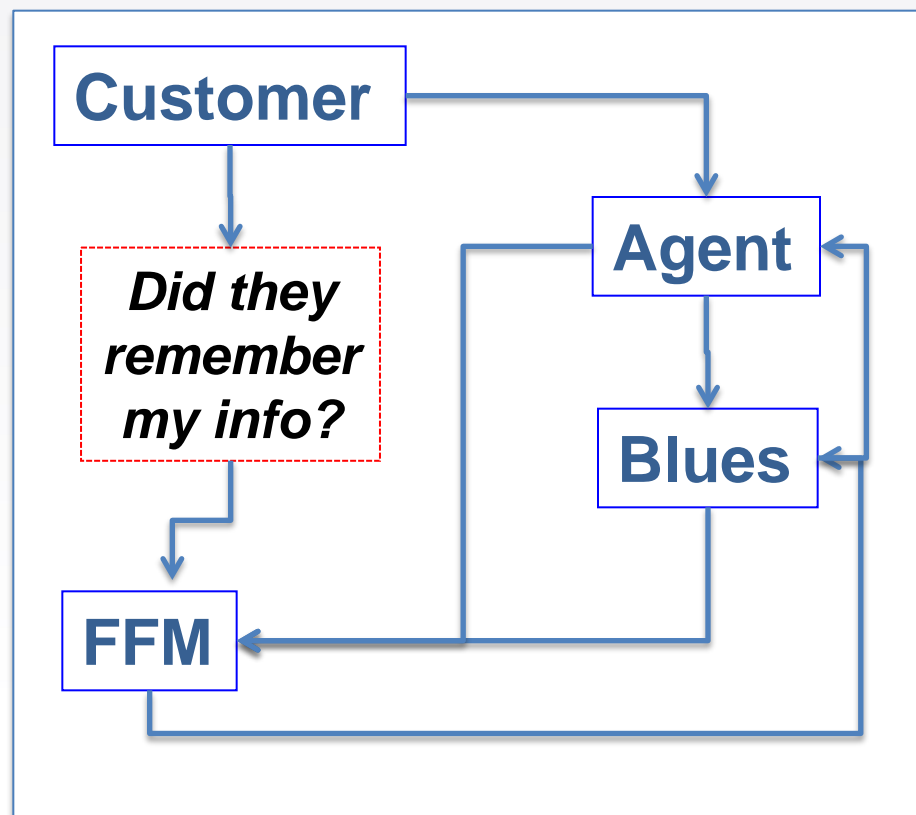


Focus on: REFORM



The Bottom Line – Regardless of Assistance...

- ❑ Agents earn the same commission “On” and “Off” Marketplace for individual QHPs
- ❑ Certification is required to sell “On Marketplace”
- ❑ Agent credentials are required at the time of the sale





Focus on: REFORM



Questions?